

5/30/14

The bankruptcy is a fraud... instead of helping Detroit, the emergency manager and his law firm are digging a deeper grave. Non competitive bidding on projects that use the public money; a lack of government oversight and transparency. No future revenue for the general fund as the state sanctioned authorities siphon off all the money. No foresight or planning for the future... global warming and still no priorities for mass transit and its integration into our massive road repairs. Nero fiddled while Rome burned. You are going to use our Michigan Strategic Fund to fund entertainment instead of transportation and education... even when studies show that stadiums are not good development catalysts. Better government and mass transit might attract new people and businesses to Michigan and Detroit. Corruption and incompetence in state, county and city government won't.

Jacoda Paruch
493 Peterboro
N.H. 03820

cindy.darrahe@gmail.com detroitvotes.org

Not one penny out of the general
pension fund of the city of Detroit unless
you are willing to give ~~away~~ away your
own state pension fund which is
more "underfunded" than the city of Detroit.
Not different discriminatory treatment of
the City of Detroit ^{general fund} and the state pension
fund and the police fire and EMS and
between the State of Michigan pension and
the general pension fund ~~etc.~~ ^{How much} ^{How much}
~~What~~ Would a Police State Cost
or how much does it? You allow the
emergency manager to rule by decree with
a lack of figures to back up his phony
figuring. You want control and the parasites
are still eating us, but with your collusion.

Juanda / Fandh
2/20/14

5/21/14

Dear government representatives
~~Is there an unholy alliance between the government at all levels and organized crime?~~
Please read the 2007 Audit

of Detroit Parking Authority which was and is responsible for overseeing revenue from Joe Louis Arena & Parking.

I asked the ^{Det City} Council and the Detroit Auditor General numerous times to audit Olympia before signing the land transfer and ~~the~~ allowing an authority (VIDA) to sign the Concessions Management Agreement.

The only audit of Parking Authority was on parking violations - nothing on Olympia was made public. Please do not be a part of the corruption.

Stop the event center and fund Mass transit and the Retirement System and Education. No solicitation of other projects you are helping to fund with education funds.
Zukunda
Peterboro, Det 48201
442
313 414 514
5181

City of Detroit

OFFICE OF THE AUDITOR GENERAL



**Audit of the
Municipal Parking Department**

August 2007

--CITY CLERK--

17 MAR 14 7:15



City of Detroit
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LOREN E. MONROE, CPA
AUDITOR GENERAL

MEMORANDUM

DATE: November 13, 2007
TO: Honorable City Council
FROM: Loren E. Monroe, CPA *Loren E Monroe*
Auditor General
RE: Audit of the Municipal Parking Department
C: Mayor Kwame M. Kilpatrick
Shawny DeBerry, Director, Municipal Parking Department

Attached for your review is our audit report of the Municipal Parking Department.

This report contains our audit purpose, scope, objectives, methodology and conclusions; background; audit findings and recommendations; and the response from the Municipal Parking Department.

We appreciate the cooperation and assistance that we received from the employees of the Municipal Parking Department.

Copies of all of the Office of the Auditor General's reports can be found on our web site at www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral.

Audit of the Municipal Parking Department

August 2007

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AGENCY RESPONSE

Municipal Parking Department

ATTACHMENT A

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Municipal Parking Department (MPD) was performed at the request of the Detroit City Council to audit the contract between the Olympia Stadium Corporation (Olympia) and the City related to Joe Louis Arena, Cobo Arena (Arenas), and the Joe Louis Arena Garage. The purpose of this audit is to ensure that:

- Contracts are being monitored properly; and
- The City is receiving all revenue it is entitled to under the contract.

The audit was also performed in accordance with the Office of the Auditor General's (OAG) Charter mandate to perform audits of the financial transactions of all City agencies and report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

The scope of the audit included auditing the compliance and monitoring of the contracts with Olympia for the arenas and the Joe Louis Arena Parking Garage for the period July 1, 2004 through December 31, 2006.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The objectives of the audit were:

- To assess if MPD properly monitors the contract with Olympia for the arenas;
- To assess if MPD properly monitors the Operating and Management Agreement for the Joe Louis Arena Parking Garage;
- To determine if the revenues remitted to the City from Olympia are accurate and timely.

AUDIT METHODOLOGY

To accomplish the audit objectives, our audit work included:

- Review of the Master Lease Agreement and associated amendments for the arenas and the Operating and Management Agreement for the Joe Louis Arena Parking Garage to determine the financial reporting and revenue remitting requirements;
- Interviews with appropriate MPD personnel to obtain details of financial transactions related to the Arenas and the Joe Louis Arena Garage;
- Tests of revenues remitted to the City for correctness and completeness;
- Review of monitoring controls over the agreements; and
- Attempts to obtain access to Olympia documents in order to validate revenue received.



- ⇒ **Audit(s)** – MPD has taken an assertive approach to fulfilling routine audits. However, in the past, detailed auditing has been limited due to non-receipt of Financial Statements from Olympia. MPD has over the past eight month established stronger business ties with Olympia that has facilitated the sharing of future financial information on a timelier basis.
- ⇒ **Late Fees** – Late fees were not charged because there was no material amount due to the City that was not received in a timely manner. MPD does agree with the AG's recommendation and will continue to effectively monitor Olympia's timely remittance of revenues.
- ⇒ **Property Tax** – MPD is aware of this provision in the Contract. However, Collection of property tax is the responsibility of City Property Tax Division and therefore does not apply to MPD's contractual responsibility.
- ⇒ **Insurance Requirements** – MPD has proactively established a better working relationship with Olympia and has scheduled a meeting with Olympia, and coordinated with Risk Management and the Civic Center to fully discuss the adequate levels of insurance required as outlined in the Contract.

Finding No. 2. The Municipal Parking Department Does Not Verify Revenue Received from Olympia for Joe Louis Arena and Cobo Arena

Department's Response

- ⇒ **Verifying Revenues and Documentation** – MPD has already taken a hands-on plan to obtain the necessary documentation to audit, verify, and reconcile revenues submitted to the department from Olympia. MPD has uncompromisingly insisted that Olympia provide MPD with the sufficient financial documentation to enable MPD to effectively monitor and verify revenues remitted to the City. To that end, MPD has successfully gained the support and commitment of Olympia's top stakeholders to ensure that MPD receives an annual audited financial statement.



- ⇒ Suite Lease – MPD agrees with AG's recommendation. Moving forward MPD has wasted no time in developing a proactive strategy to meet all aspects of the contract.
- ⇒ Share of Sale of Television Rights for Events - MPD agrees with AG's recommendation. Moving forward MPD has wasted no time in developing a proactive strategy to meet all aspects of the contract.
- ⇒ Surprise Audit – The Contract of Lease Agreement does not provide MPD the allowance to conduct "surprise" audits as the AG's Office recommends. MPD with the cooperation of Olympia Entertainment will administer audits pursuant to the provisions outlined in the Contract of Lease Agreement.

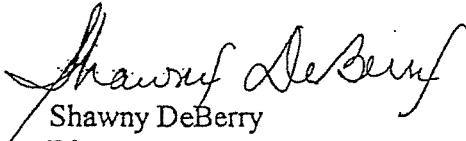
Finding No. 3. The Municipal Parking Department Does Not Adequately Monitor the Operation of the Joe Louis Arena Garage and does not Verify the Revenue Received. The Municipal Parking Department Does Not Verify Revenue Received from Olympia for Joe Louis Arena and Cobo Arena.

Department's Response

- ⇒ MPD agrees with AG's recommendation. Moving forward MPD has wasted no time in developing a proactive strategy to meet all aspects of the contract.

If you have any questions or require any additional information, please call me at your convenience at 313-221-2516.

Sincerely Yours,


Shawny DeBerry
Director

:rc

CITY OF DETROIT
MUNICIPAL PARKING DEPARTMENT
AUTO PARKING SYSTEM

October 2, 2007

Mr. Loren E. Monroe
Auditor General
208 Coleman A. Young Municipal Center
Detroit, MI 48226

Dear Mr. Monroe:

The following presents the Municipal Parking Department's response for the indicated findings and related recommendations in the August 2006 audit of the Municipal Parking Department, as prepared by the Office of the Auditor General.

Finding No. 1. The Municipal Parking Department Does Not Properly Monitor the Contract with Olympia for the Operation and Management of Joe Louis Arena and Cobo Arena

Department's Response

- ⇒ **Television Revenue** - MPD agrees with the AG's Office recommendations. Moving forward MPD has wasted no time in developing a proactive strategy to meet all aspects of the contract. Olympia has agreed to submit to MPD an annual audited Financial Statement. MPD will continue to effectively monitor Olympia's timely remittance of key financial information.
- ⇒ **Capital Improvement** - MPD disagrees with the AG's findings. Under Contract of Lease Amendment #2, "Article 12.16(b) of the Master Lease Agreement: "To the extent amounts in the surplus Fund are available for reimbursement of such capital improvements to the Arenas, the amount that may be reimbursed for capital improvements to the Arenas in any given calendar year shall be limited to the lesser of (i) one hundred percent (100%) of the City Ticket Services Fee on Musical Concerts (as defined in Section 16.01 of the Master Lease Agreement, or (ii) Five Hundred Thousand and 00/100 \$500,000) Dollars.
- ⇒ MPD has complied as Article 12 of the Master Lease Agreement. MPD correctly determined after reviewing capital expenditures submitted by Olympia the need to reimburse Olympia "because they had performed in good faith and workmanlike manner and improvements remain the property of the City."

CONCLUSIONS

As a result of our audit of the contract compliance and monitoring of the City's contract with Olympia for the management of the Arenas and Joe Louis Parking Garage we have concluded that:

- MPD does not properly monitor the contract for the arenas.
- MPD does not properly monitor the Operating and Management Agreement for the Joe Louis Arena Parking Garage.
- It is impossible to determine if the revenues remitted to the City by Olympia are accurate because Olympia does not provide sufficient documentation to enable MPD to verify the revenue received from Olympia. Olympia does not provide copies of its audited financial statements to the City as required by the contract. MPD did not audit any part of the arena operations during the audit period.

The Office of the Auditor General (OAG) attempted to contact Olympia in writing in order to obtain copies of financial statements, as required by the contract, in an effort to verify and calculate the revenue due to the City. At this time we have communicated with Olympia but have not received the requested documentation.

The Municipal Parking Department acknowledges that it has not obtained the necessary documents from Olympia and has not audited Olympia's operations as thoroughly as it should have.

Managing the contract with Olympia is not a priority of the Municipal Parking Department. Neither Joe Louis Arena nor Cobo Arena is mentioned in the goals of the Department in the three budgets included in the audit period. Management of the arenas is also not mentioned in the department's Purpose Statement. The Municipal Parking Department was not familiar with all of the contract provisions and requirements.

OVERALL RECOMMENDATION

In addition to the specific recommendations included in the Findings section of this report, the Office of the Auditor General recommends that oversight of the contract with Olympia either be removed from the Municipal Parking Department or that oversight of the Municipal Parking Department's management of the contract be strengthened.

*the
should
be quoted
in our
report.*

BACKGROUND

Cobo and Joe Louis Arenas are owned by the Detroit Building Authority and leased to the City. The City contracts with Olympia Stadium Corporation (Olympia) for the management and operation of the arenas. Oversight of the contract was formerly the responsibility of the Civic Center Department, but the former Director of the Municipal Parking Department (MPD) indicated that because the revenue the City receives from the arenas is pledged to the bonds associated with the Auto Parking System, oversight of the contract should be the responsibility of the Municipal Parking Department. Oversight of the contract and control of the revenue from Olympia related to the arenas has been the responsibility of the Municipal Parking Department since 1998.

The City of Detroit entered into a 30-year agreement with Olympia for the management and operation of Cobo and Joe Louis Arenas. After the initial 30-year term expires the contract can be renewed for 20-years and then an additional 10-year period. Renewal of the contract is completely at Olympia's discretion. If Olympia plans to renew the contract no notice is required to be given to the City. If Olympia plans not to renew the contract, the City must be notified at least one year in advance of the expiration of the contract. During the course of this audit it was found that different entities believed the contract expires at different times. In order to establish a definitive date that the contract expires, the Office of the Auditor General (OAG) requested an opinion from the City's Law Department on the matter. The Law Department's opinion, while not definitive, indicates that the initial term of the contract appears to expire in December of 2009, which would indicate that Olympia must notify the City by December of 2008 if it does not plan to renew.

As a part of the original agreement Olympia pays the City rent for the arenas totaling \$450,000 annually, \$150,000 for Cobo and \$300,000 for Joe Louis Arena. The initial agreement called for the City to receive a City Ticket Service Fee (CTSF) for each ticket sold for the events at the arenas. Two amendments have been entered into during the course of the agreement, which have increased the items from which the City receives revenue to include concessions, souvenirs, suite leases and television profits.

The table below shows the total revenue the City has received from Olympia during the past four years.

| | Fiscal Years | | | |
|--------------|--------------------|--------------------|--------------------|--------------------|
| | 2003-2004 | 2004-2005* | 2005-2006 | 2006-2007 |
| Concessions | \$1,270,452 | \$296,706 | \$1,363,743 | \$1,411,857 |
| Suite Leases | 542,524 | 275,999 | 278,932 | 412,796 |
| CTSF | 2,273,158 | 456,040 | 2,510,264 | 2,587,231 |
| Payments | | | | |
| Rent | 450,000 | 450,000 | 450,000 | 450,000 |
| Total | \$4,536,134 | \$1,478,745 | \$4,602,939 | \$4,861,884 |

*The 2004-2005 hockey season was cancelled due to a players' strike, severely affecting revenue.

FINDINGS AND RECOMMENDATIONS

1. The Municipal Parking Department Does Not Properly Monitor the Contract With Olympia for the Operation and Management of Joe Louis Arena and Cobo Arena

The Municipal Parking Department does not properly monitor all aspects of the contract with Olympia.

- MPD management was not familiar with all provisions of the contract. Specific examples include:
 - **Television Revenue-** MPD management was not aware that Olympia is required to remit 25% of gross profits in excess of \$750,000 for revenue received from the sale of television rights for events held live in the arenas. It is not known if Olympia's profits meet this criterion because MPD receives no statement of revenue for this, or any other, revenue stream.
 - **Capital Improvement Reimbursement-** MPD management was not aware that it is at the City's discretion to reimburse Olympia for expenses related to alterations or improvements made to the arenas. In 2005 Olympia was reimbursed \$150,320.58 and in 2006 Olympia was reimbursed \$87,914.64. The 1981 amendment made to the agreement with Olympia states that capital improvements may be reimbursed to Olympia at the sole discretion of the City.
- The staff of the Municipal Parking Department conducted no audits of the arenas during the audit period.
- Late fees were not charged to Olympia when applicable.
 - Amendment #2 of the contract includes a late payment provision. It requires a late payment fee to be paid by Olympia when the due dates in the contract are not adhered to. The contract calls for the City Ticket Service Fee (CTSF) to be paid weekly when frequently the payments are not received on a weekly basis and no late payment fee is collected.
- Management has not met with Olympia to renegotiate insurance requirements.
 - The contract requires the City to maintain certain insurance coverage and for Olympia to maintain certain insurance coverage on the arenas. The contract also requires that the insurance coverage levels be reviewed every five years to make sure that the coverage is adequate. Neither MPD, the Civic Center Department, nor the Finance Department, Risk Management Division, has met with Olympia to discuss the adequacy of the insurance coverage in the last five years.

Essential to the contract process are procedures that ensure adequate contract oversight. Adequate oversight is necessary to insure that contractors comply with contract terms and that the City's contract objectives are met.

Olympia has not abided by the terms of the contract and has failed to provide the City with adequate financial documentation to determine if the City is receiving all of the revenue to which it is entitled. The City may have lost revenue from the sale of television rights, the CTSF, concessions or novelties. By paying the capital improvement reimbursements to Olympia when not required by the contract, the City has spent \$238,235 that it was not required to pay.

The Municipal Parking Department believes that certain issues, for example, the insurance issue, are not its responsibility and that it is only responsible for the revenue received from Olympia. The Municipal Parking Department has indicated that it has not pushed Olympia as much as it should have for information over the years in an effort to retain a cordial relationship with Olympia. MPD indicates it has not conducted audits due to a lack of staff. The Department also indicates that turnover in the Manager I position, that is charged with contract oversight, has contributed to the lack of familiarity with the terms and conditions of the contract. MPD management stated that it has been remiss in demanding information from Olympia and indicated that the department has had difficulty in managing the contract.

Recommendations

We recommend that the Municipal Parking Department:

- Management become familiar with all aspects of the contract.
- Implement procedures to charge late fees to Olympia when the due dates in the contract are not adhered to. If a different due date other than what is provided in the contract, is mutually agreed to by the parties then such information should be documented and acknowledged by both parties.
- Determine if Olympia receives revenue from the sale of television rights.
- Establish a better working relationship with Olympia to facilitate the sharing of information and the timely remittance of revenue.

2. The Municipal Parking Department Does Not Verify Revenue Received from Olympia for Joe Louis Arena and Cobo Arena

MPD does not verify revenue received from Olympia for the arenas. Olympia does not provide sufficient financial documentation to enable MPD to verify revenue, however, MPD has not pursued obtaining the documentation from Olympia as actively as they should have. The City is entitled to a portion of revenue from the Arenas in the following categories: tickets, concessions, novelties, suite leases and television rights. The table below shows the percentage of revenue that is to be received for each category.

| Revenue Item | % Of Gross Annual Revenue Due to the City |
|---|---|
| Tickets (CTSF) ^A | |
| • Cobo Arena | 7.5% |
| • Joe Louis Arena | 10.0% |
| Concessions, including beverages | 10.0% |
| Novelties, programs, t-shirts, souvenirs, | 5.0% |
| Suite Leases | 6.7% |
| Television Rights ^B | 25.0% |

A – The CTSF can be calculated using an alternative formula, which takes into account the average ticket price of musical events. This formula is often employed by Olympia but an explanation of the calculation is not included on the remittance forms.

B – The City is to receive 25% of gross revenues in excess of \$750,000 received by Olympia in any one calendar year, after the payment of applicable taxes, from the sale by Olympia of subscription, pay or cable television rights to events held live in the arenas. However, no payment is due to the City unless such gross revenues received by Olympia exceeds \$1 million.

MPD is to receive a percentage of each ticket sold for events held at Cobo Arena and Joe Louis Arena. MPD receives a report from Olympia for each event, which delineates the various ticket prices and the amount to be remitted to the City. However, often a formula is used to calculate the CTSF instead of using the straight percentages shown above in the table. This formula was included as part of the first amendment to the contract and takes into account the average ticket price for events held in the arenas. When the average ticket price is used instead of the straight calculation, no explanation is included with the paperwork. No one on staff at MPD was able to explain how the average ticket price is calculated and no verification, that the calculation is done correctly, is performed by MPD. MPD does not perform independent verification of the amount of proceeds that it is entitled to from each event. MPD relies totally on calculations made by Olympia.

MPD management does no monitoring and requires no documentation from Olympia related to tickets given away by Olympia. Olympia often gives away substantial quantities of tickets to events. In three non-consecutive months of calendar year 2006 Olympia gave away 18,306 tickets to events. When tickets are given away no CTSF is collected and the City loses revenue.

For novelties and concessions MPD receives no documentation from Olympia to verify the revenue received. MPD receives a spreadsheet that shows the total revenue MPD is receiving in each category and breaks it down by each vendor allowing MPD to see how much money is being generated for the City by the various vendors. However, the information remitted does not include documentation of the gross revenue Olympia receives for these categories.

from the sale of subscription packages for the viewing of Detroit Red Wing games.

- Work to establish better lines of communication with Olympia to facilitate the sharing of information with regard to this contract and any extensions or renewals of this contract.
- Conduct surprise audits of the arenas including ticket sales and concession and novelty sales to monitor the control over cash.

3. **The Municipal Parking Department Does Not Adequately Monitor the Operation of the Joe Louis Arena Garage and Does Not Properly Verify the Revenue Received**

Monitoring of the contract and verification of the revenue received from the Joe Louis Arena Parking Garage is inadequate. The following conditions exist:

- Olympia does not provide sufficient documentation to verify the daily revenue.
- Cash deposits made by Olympia into the City's bank account are not reconciled to the daily report submitted by Olympia.
- Olympia does not provide financial statements to substantiate revenue.

Olympia submits a daily revenue report showing the daily activity for the parking garage and how much money was received, but they do not submit copies of register tapes or other source documentation that would allow MPD to verify that the revenue submitted is actually the revenue received. MPD takes Olympia at its word that all revenue is being remitted to the City. The Parking Agreement portion of the contract with Olympia states that the City is to receive a monthly profit and loss statement and balance sheet for the parking facility. Without this information MPD has no way to verify revenue. According to MPD, audits are performed by MPD staff of the various parking facilities, but were unable to provide us with the most recent audit of the Joe Louis Arena Parking Garage.

MPD does not perform bank reconciliations of the account with the garage and arena revenue. MPD was unable to produce copies of bank reconciliations for the audit period. The OAG was able to secure copies of two bank reconciliations for fiscal year 2006-2007, the October 2006 and November 2006 reconciliations from the Treasury Division. Both of these reconciliations were dated May 2007.

Essential to the contract process are procedures that ensure adequate contract oversight. Adequate oversight is necessary to ensure that contractors comply with contract terms and that the City's contract objectives are met. According to a Finance Department memorandum all bank accounts should be reconciled within 45 days of the statement date. Good controls over cash receipts require that receipts be properly accounted for and that discrepancies be investigated and corrected.

MPD management stated that it has been remiss in demanding information from Olympia and indicated that the department has had difficulty in managing the contract. MPD also indicates that a lack of staff has contributed to the contract not being monitored adequately.

The failure to manage revenues effectively leaves MPD and the City open to loss of revenue and possible misappropriation of funds. By not completing bank reconciliations in a timely fashion MPD is less likely to catch a mistake in the deposits made by Olympia.

Detroit

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metrotime



Pulling the Strings

HOW THE ILITCHES LANDED A SWEET DEAL
FOR A NEW HOCKEY ARENA.

BY RYAN FELTON

DETROIT

2 BAGS OF CASH

\$1/4 BILLION EACH

1st gift was the Ilitch hockey rink.

2nd gift for bankrupt pensions.

THE STATE CAN'T AFFORD BOTH.

The choice is clear.

The arena must be cancelled, before the pension deal is made.

Bankruptcy allows cancellation of bad deals to help the future of the entire City.

As the details unfold, the arena deal morphs from “continue receiving funds” to a massive transfer of school aid money. The plans for the arena site have not been made public. The one-sided rip off gives NO REVENUE on the rent-free site. The City also pays \$8 m cash on the lifetime lease for “repairs.” The Joe Louis Arena is demolished by the State. The City EVEN cut the rent revenue from \$3 m to \$1/2 m retroactively to 2010. The City and State do benefit by each receiving the kick back of lifetime luxury suites.

No more State money until this rip off by Ilitch and the City is stopped.

The Metro Times, May 7, 2014, edition investigative report by Ryan Felton exposes the web of manipulation. This is an extraordinarily detailed work that outshines all other news coverage of this important public expenditure.

John Lauve 248-820-2434 May 20, 2014